



Apr 23rd, 9:00 AM - 4:00 PM

Inflation in the European Community: A Study Before and After German Unification

Ann Chalstrom
Illinois Wesleyan University

Pam Lowry, Faculty Advisor
Illinois Wesleyan University

Follow this and additional works at: <https://digitalcommons.iwu.edu/jwprc>

Chalstrom, Ann and Lowry, Faculty Advisor, Pam, "Inflation in the European Community: A Study Before and After German Unification" (1994). *John Wesley Powell Student Research Conference*. 4.

<https://digitalcommons.iwu.edu/jwprc/1994/posters/4>

This Event is protected by copyright and/or related rights. It has been brought to you by Digital Commons @ IWU with permission from the rights-holder(s). You are free to use this material in any way that is permitted by the copyright and related rights legislation that applies to your use. For other uses you need to obtain permission from the rights-holder(s) directly, unless additional rights are indicated by a Creative Commons license in the record and/ or on the work itself. This material has been accepted for inclusion by faculty at Illinois Wesleyan University. For more information, please contact digitalcommons@iwu.edu.

©Copyright is owned by the author of this document.

INFLATION IN THE EUROPEAN COMMUNITY:
A STUDY BEFORE AND AFTER GERMAN UNIFICATION

Ann Chalstrom and Pam Lowry*, Department of Economics, IWU

This project focuses on the economic interaction among the member nations of the European Community (EC) by studying inflation rates in the EC before and after German unification, which occurred in 1990. The first hypothesis tested in this project states that before 1991, the implementation in the EC of a fixed exchange rate system with a band along with a strong, stable German economy, led to inflation rate convergence by the EC member nations to German inflation rates. The second hypothesis tested in this study states that German unification, which has had a destabilizing effect on the German domestic economy, resulted in inflation rate divergence from Germany by the EC member nations. The implementation of a fixed exchange rate system is the theory which explains convergence of inflation rates. The results, presented in descriptive graphs, statistical tests, and a regression model, show that inflation rate convergence by the EC members to German inflation rates occurred before German unification, while after unification, EC members' inflation rates were no longer drawn to Germany's rates of inflation.